MULTIMEDIA UNIVERSITY®

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210 & TERM ID 2215)

BET2014 – BUSINESS ETHICS

(All sections/Groups)

13 FEBRUARY 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions only.
2. Answer ALL questions.
3. The distribution of the marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

Answer ALL FOUR (4) questions.

QUESTION 1

Startup Kabina raises funding led by East Ventures
By Digital News Asia August 19, 2022

Kabina announced the completion of its undisclosed seed funding round led by East Ventures with the participation from several notable angel investors including celebrity Sandra Dewi. In a statement, the property and construction startup said it will allocate the fresh funds for product development and team expansion. The funds will also be used to invest in equipment and solutions that contribute towards more responsible and sustainable operations in the industry, it added. Fred Moeis, founder and chief executive officer of Kabina, said this investment and the overall support from East Ventures will accelerate the startup's mission to bring more innovation and sustainable construction solutions to the market. "We look forward to working alongside the strong ecosystem of East Ventures and revolutionising the construction and property industry in Indonesia," he said. Having extensive experience in the construction and property industry during his career as a designer, Moeis said he realised that there are a number of pressures faced by the local players in this industry. These are commonly related to the challenges of cost inefficiency and time estimation, he said. "Moreover, there is still a lack of awareness or focus on minimising the negative impact on the environment through the use of energy-intensive equipment," he said.

Founded in 2020, Kabina serves as a solution to these ongoing problems. The startup believes these challenges can be reduced or even eliminated by integrating technology-based solutions to the process of construction and property development. The startup claimed to simplify the construction process by utilising modularity, pre-fabrication, and wood sourced from sustainably managed and Forest Stewardship Council certified forest as its primary material. According to Kabina, these simplification techniques serve as an innovative solution to cost saving and minimising waste, as well the water and energy consumption. It said the pandemic has brought a shift of needs towards aspects of people's life, including in the construction and property industry. In terms of residential clusters, Kabina said it creates a multi-purpose structure, which allows its customers to easily adjust and reconstruct it based on their personal needs. The company will also launch other lifestyle offerings according to the needs of its customers. These include Kabina House, Kabina Space, Kabina Suite, Kabina Studio, Kabina Lounge and Kabina Play, among others. Among its highlights is Kabina Market, an outdoor retail platform with at least 50% of outdoor area, it said. This platform will be located in prime areas to connect the customers with brands and retail, but taking into consideration the preferences of customers' towards open space experiences. Avina Sugiarto, partner of East Ventures said the addition of Kabina into the East Ventures' ecosystem, will further strengthen the firm's proptech line-up to democratise the construction and property industry in Indonesia through efficient and sustainable materials and processes."We believe the sustainable innovation and approaches offered by Kabina will further bring positive impacts towards the overall growth of the society," she said.

Source: https://www.digitalnewsasia.com/business/startup-kabina-raises-funding-led-east-ventures

Continued...

a) You have recently joined the Kabina team as part of the expansion enabled by the funding raised from East Ventures. The CEO, Fred Moeis, has invited all team members to a pitching session where anyone can pitch strategic ideas to be included as part of the development and expansion initiative. You decided to pitch the establishment of an ethics function in the management team as you believe in the importance of ethics in business, and the benefits of paying attention to ethical issues in the workplace. Discuss **TEN (10)** key points you would highlight when pitching your idea. (10 Marks)

b) Just like Kabina, many organizations strive to be ethical in the eyes of their stakeholders. Discuss **FIVE (5)** barriers to ethical organizations.

(10 marks)

c) Let's say that you are at a coffee shop, and you purchase a beverage for RM5.50. You give the cashier a ten-ringgit (RM10.00) note; the cashier then gives you RM14.50 change — clearly confusing your ten ringgit for a twenty ringgit. What would you do? Justify your action by using ethical egoism and utilitarianism frameworks. Explain the basics of each framework, and clearly show how that framework prescribes your actions.

(5 marks)

Continued...

QUESTION 2

Nestle: the world's most corrupt corporation
By Katelyn O'Callaghan, April 24, 2019

With unethical business practices such as taking clean drinking water in areas that sorely need it, participating in human trafficking and child labor, and exploiting uneducated mothers in third world countries, Nestle is quite possibly one of the world's most corrupt corporations. Nestle is the world's largest food and drink corporation. The company was established in 1886 when Henri Nestle developed a groundbreaking baby food formula. It later merged with an Anglo-Swiss condensed milk business and formed what is now known as the Nestle Group. They began producing a wide variety of products and became a globally involved business. As the company expanded, so did their money-hungry stomachs. According to the National Public Radio, Nestle has been pumping out 200 gallons worth of freshwater out of Michigan-water that the people of Flint desperately need. The Flint Michigan crisis has killed 12 people and hospitalized 87. Children are losing their hair, developing skin lesions, and going blind just from bathing. The community has no access to fresh water because Governor Rick Snyder switched the city's water supply from one of Michigan's most pristine water sources to the noxious and harmful Flint River in an attempt to save money. While the citizens of Flint live in a constant state of disarray, worrying about how to survive, Nestle has been making a profit.

Not only does Nestle take water from a city in a full-blown water crisis, but they also sell it to third world countries who don't have access to clean drinking water, for astronomical prices. According to Nestle Pure life, they sell their water for 2 dollars a bottle. To Americans that may seem like no big deal, but in a third world country where people only make a few cents a day, it's everything. Nestle persuaded the World's Water Council to change drinking water to a need rather than a right. If water were a right, then it would have to be supplied freely, but since it's a need, water companies can sell it for as much as they want and make an enormous profit. One of Nestle's primary sources of income is their chocolate. The Cocoa industry is known for its unethical practices in child labor and human tracking. Nestle is no exception to the horrors of this industry. In 2005 the International Labor Rights Fund filed a lawsuit against Nestle and other similar companies. Allegedly, three Malian Children were trafficked to Côte d'Ivoire and forced to work on a cocoa plantation with many other trafficked children. The case went on for many years; the courts argued over whether or not corporations should be held liable for international law violations. In 2010, the US district court determined that corporations should not be held accountable, which has since been appealed, and Nestle was not held responsible for the abuse and suffering of these children. The Fair Labor Association reported that Nestle was fully aware of the child labor and did little to stop it. Along with water, Nestle sells baby formula. Buying up companies such as Gerber and Pfizer makes the cooperation control nearly the entire world's production of baby formula. With aggressive marketing tactics to uneducated mothers and giving out free samples of their product, Nestle has made families reliant on their baby formula. The company heavily advertises its formula to be the nearest thing to breastfeeding. They suggest that mothers start weaning their baby off of breastmilk at six months, claiming that it can make the baby anaemic if not done.

Continued...

The World Health Organization advises otherwise, recommending that the mother solely breastfeeds for six months and then continue breastfeeding combined with solid foods for up to two years or however long the baby desires. Most women in third world countries lack the education to know that the information Nestle advertises is false, and they fall into this trap.
Not only does the cooperation market false information to create a dependency on their formula, but according to a report by the International Baby Food Action Network (or IBFAN), Nestle provides hospitals with free baby formula for a week. Sounds charitable, right? However, looking more in-depth into the implications of this, one can see that it's nothing but a malevolent marketing strategy. When a mother stops breastfeeding, it takes a few days to a week for her milk to dry up and the hormones to go back to normal. So by the time the formula runs out, so does a mother's milk, and they have no choice but to buy more formula. As stated previously, Nestle dominates the water market and marks up their prices immensely. This creates a massive issue for mothers in these third world countries. The baby formula has to mix with water. Nestle has two products that are reliant on one another, which creates a horrendous situation. Many families cannot afford both the formal and clean drinking water because most make only a few cents a day. Not wanting their baby to die, people are left with no other choice, but to mix the formula with polluted water. Furthermore, families try to make the formula last as long as possible and dilute it. Babies are essentially drinking unsanitary water with a pinch of nutrition. As a result of this, many of these countries' infant and mortality rates have gone up. Nestles is the classic case of perception versus reality. Though they seek to put out a polished image, one look into their business practices reveals their filthy and disgusting underside
Source: https://skierscribbler.com/7671/opinion/nestle-the-worlds-most-corrupt-corporation/

a) Refer to the case above. Identify **THREE (3)** stakeholders affected by Nestle's unethical practice and explain their respective stakes or how they were impacted.
(9 Marks)

b) Suggest **TWO (2)** solutions that Nestle can take towards becoming an ethical business.
(6 marks)

c) Nestle is one of the largest publicly held food companies in the world. Based on the article by Katelyn O'Callaghan, discuss Nestle's corporate governance performance according to the Stakeholder Theory. (5 Marks)

d) Explain the difference between transactional and transformational leadership. (5 Marks)

Continued...

QUESTION 3

a) Please refer to the following case;

Tesla is in Hot Water After Underreporting Environmental Data
By Lizzy Rosenberg, July 1, 2022.

Even though Tesla is considered to be a sustainable alternative to traditional gas vehicles, it still isn't perfect. The Austin, Texas-based automotive and clean energy company makes cleaner alternatives to cars than other brands; however, the company recently landed itself in hot water after it underreported its environmental data.

What is Tesla's summer 2022 controversy about? While we like to think Exonn and Tesla have absolutely nothing in common, that evidently isn't the case. On Wednesday, June 29, CDP called out Musk's popular EV company, Exonn, and several other oil giants for failing to disclose environmental information. According to Barrons, both companies received a failing grade for their transparency. Even though Teslas aren't powered with gas, it's still important to know about impact in regards to how its materials are sourced, production practices, and more. Tesla's lack of transparency has taken a major toll on the company as a whole. Earlier this year, in May 2022, the Tesla was thrown out of the S&P 500, which was partially due to lack of disclosure.

Despite the fact Tesla publishes an annual impact report, complete with environmental data, it didn't go much beyond detailing the importance of EVs and solar panels. It's unclear why the company is being so dodgy, but it definitely isn't a good look. In response to the choice to remove Tesla from the S&P 500, Musk was furious. He later took to Twitter, to call ESG a scam. "ESG is an outrageous scam! Shame on @SPGlobal, he tweeted following the decision. And even though this is Tesla's latest controversy, it certainly hasn't been the first. Musk's company has certainly been in hot water more than once.

Source: https://www.greenmatters.com/p/tesla-controversy-2022

As an expert in business ethics, you know that by focusing on environmentally friendly strategies, firms can market their goods as eco-friendly which helps differentiate their products and brand. Discuss the **FOUR (4)** strategies Tesla can adopt in which the natural environment can be used as a competitive advantage. (10 marks)

b) Please refer to the following case;

In 2015, Microsoft released its newest operating system, Windows 10. Among the many changes that were made to the product included several changes to Microsoft's security policy that made many users upset. In the security policy for Windows 10, Microsoft stated that the company would "access, disclose and preserve personal data... when we have a good faith belief that doing so is necessary." This statement from Microsoft's end-user license agreement suggests that the company can collect and disperse users' data at will. Additionally, it was also discovered that Cortana, Microsoft's voice-activated personal assistant can track a user's location, as well as other information. A large concern among users is their information will be freely available to both advertisers and hackers.

Source: http://businessethicscases.blogspot.com/2016/11/microsofts-privacy-problem-2016.html

Continued...

i. Explain Microsoft's action from the Individualism point of view. (5 Marks)

ii. List **FIVE (5)** common ethical concerns or issues in Information Technology (IT). (5 Marks)

c) Following is the Ethics and Compliance statement from Apple's website (https://www.apple.com/compliance/);

"Apple conducts business ethically, honestly, and in full compliance with the law. We believe that how we conduct ourselves is as critical to Apple's success as making the best products in the world. Our Business Conduct and Compliance policies are foundational to how we do business and how we put our values into practice every day."

You are a founder of a successful startup. Inspired by Apple, you have decided that you need to change your corporate culture and transform the business into a more ethical organization. Discuss how you and your management team can change your corporate culture. (5 Marks)

Continued...

QUESTION 4

a) Amanda recently obtained her accounting degree from MMU. On recommendations from her industrial training mentor, she landed a job at an audit firm in the city. Her boss had just instructed her on her first task, namely, the audit of Mega Dynamics Bhd. Amanda was pleasantly surprised to find her industrial training mentor as a manager at Mega Dynamics. Discuss how **TWO (2)** of the principles that form the foundation for AICPA Code of Professional Conduct will be violated in this situation. (10 Marks)

b) The following statement is from Samsung's website;

"As our business spans across numerous countries around the globe, we recognise and analyse differences in laws, regulations, and practices in respective countries while conducting business in lawful and ethical manner. We also develop and implement global personal data security policies to respect the privacy of our customers and employees and to protect their personal data. Our endeavors to systematically manage compliance and ethical risks are driven by the Samsung Global Code of Conduct and the Business Conduct Guidelines that guide all our employees in taking action and making value judgment. Our Compliance Team, previously under the Legal Office, now reports directly to the CEO and the head of Compliance Team attends all board meetings to support important decisions made by the board. We operate dedicated organizations at each business division and overseas regional offices to manage compliance issues pertaining to each business and region." (https://www.samsung.com/my/about-us/ethics)

Inspired by Samsung, you have decided that your company need to improve and become an ethical business. To convince the management, you highlight to them common ethical issues that often occur in the workplace. List any **FIVE (5)** common workplace issues. (5 Marks)

c) After working with a small local firm in Melaka for 3 years, Ahmad successfully secured a job with a top multinational corporation in Kuala Lumpur. After the first month at the new firm, the department head informed Ahmad that he must attend the firm's Ethics Training Program on fraud prevention. Discuss why larger firms tend to experience more fraud. (10 Marks)

End of Paper